

Ms. Behn Miller



Comptroller General  
of the United States

Washington, D.C. 20548

## Decision

**Matter of:** Southeastern Enterprises, Inc.

**File:** B-244989

**Date:** December 4, 1991

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Patrick McNally for the protester.

Douglas P. Larsen, Jr., Esq., Department of the Navy, for the agency.

Justo P. Lopez for Eagle Management, Inc., an interested party.

Behn Miller, Esq., Office of the General Counsel, GAO, participated in the preparation of the decision.

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### DIGEST

Where an offeror fails to furnish pricing information specifically requested by the agency in a written request for best and final offers, the agency properly rejected the proposal on the ground that it could not find the proposed price realistic.

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### DECISION

Southeastern Enterprises, Inc. protests any award under request for proposals (RFP) No. N00123-91-R-0485, issued by the Department of the Navy to supply mess attendant services to the Naval Construction Battalion Center at Port Hueneme, California. In its protest, Southeastern contends that its proposal was improperly determined to be unacceptable.

We dismiss the protest because it fails to state a valid basis of protest. See 4 C.F.R. § 21.3(m) (1991).

The RFP was issued as a small business set-aside on April 18, 1991, for a firm, fixed-price contract; offerors were to provide a price proposal for a 1-year base period and two 1-year option periods. The RFP further provided that award would be made to the "low, realistically priced, responsible offeror."

Under the RFP, each offeror's price proposal was to be comprised of three completed solicitation sections. First, at section B, offerors were required to complete three fixed-price schedules--one for the base year and each option year period. On these schedules, offerors were to provide fixed monthly prices based on estimates for three separate requirement levels--serving 30,000 to 40,000 meals per month

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(Requirement Level I), 40,000 to 50,000 meals (Requirement Level II) and 50,000 to 60,000 meals (Requirement Level III). Additionally, on each schedule, offerors were to provide a fixed monthly price for estimated cashier services and a fixed monthly price for hours worked beyond normal estimated hours.

Next, to demonstrate that the prices set forth at section B represented realistic pricing, each offeror was required to complete a 16 column "Cost Proposal Breakdown" chart, found at section L of the RFP. On this cost chart, offerors were required to specify the wage rates, fringe benefits, insurance and tax allowances to be paid for each staff position; the cost chart also required offerors to indicate in monthly figures their general and administrative (G&A) and overhead (OH) costs as well as their expected profit.

With regards to completing this cost chart, the RFP instructed all offerors that they were required to submit annotated loaded compensation rates and that adherence to the explicit elements on the form was mandatory. Offerors were also advised that "[i]f information is not provided in the format required to permit an effective price realism analysis, offers may be rejected as not realistic."

Finally, in addition to section B and the cost proposal breakdown chart, offerors were required to complete and submit four manning charts--provided at section L of the solicitation--indicating each offeror's compliance with the minimum monthly staffing requirements set forth in the RFP's Statement of Work--4,776 hours per month--for Monday through Thursday (manning chart No. 1), Friday (manning chart No. 2), Saturday (manning chart No. 3), and Sunday/Holiday (manning chart No. 4). On these charts, offerors were required to represent--by half-hour increments--the hours and number of staff to be assigned to cleaning, food handling, management, and cashier tasks. In this regard, at the bottom right corner of each manning chart grid, offerors were required to provide a total hours estimate.

By amendment No. 0001, issued May 1, the Navy modified several of the RFP's performance requirements and extended the original May 9 receipt of proposals closing date to May 15; by amendment No. 0002, issued May 2, several more changes were incorporated into the solicitation, and the closing date was further extended to May 21 when initial proposals were received.

In evaluating initial proposals, the contracting officer detected several deficiencies in Southeastern's cost proposal breakdown chart. First, Southeastern had neglected to insert wage figures for four of the chart's seven positions; additionally, the contracting officer determined that

Southeastern's G&A, OH, and profit figures were unrealistic since they represented a "token amount." Accordingly, in its June 20 best and final offer (BAFO) request, the Navy--among other things--advised Southeastern that it had failed to provide hours or compensated labor rates for the four positions, and that the amounts proposed for indirect costs and profit appeared inadequate.

The closing date for receipt of BAFOs was scheduled for June 27; on this date, 10 BAFOs--including Southeastern's--were received. The five low offerors were as follows:

Southeastern	\$1,502,601.24
Eagle Management, Inc.	1,531,923.96
D'Wiley	1,563,464.00
Integrity	1,573,418.13
Diversified	1,588,879.60

Although Southeastern had submitted the lowest price, its cost chart again omitted several wage and fringe benefit figures; additionally, Southeastern, without any explanation, reduced its combined figure for G&A and OH to zero. Because of these defects, the contracting officer determined that Southeastern's proposal was unacceptable; accordingly, on July 22, the Navy made award to Eagle Management, the second-low offeror. That same day, the Navy notified Southeastern that its proposal had been rejected; on July 26, Southeastern filed an agency-level protest challenging the rejection of its BAFO. By decision that afternoon, the Navy denied Southeastern's protest; on July 31, Southeastern filed the instant protest with this Office.

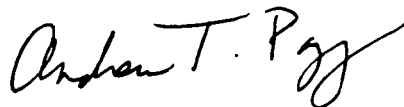
In its protest, Southeastern essentially contends that its unexplained G&A and OH figures, as well as other omissions in its cost chart, should not have rendered its proposal defective since, under a fixed-price contract, Southeastern is bound to perform at the price it has offered to the Navy. As explained below, we find that Southeastern's proposal was properly rejected.

Where, as here, a fixed-price contract is being solicited, "cost realism" ordinarily is not considered in the evaluation of a proposal since, unlike a cost reimbursement type contract, a firm, fixed-price contract provides for a definite price and thus places upon the contractor--rather than the government--the risk and responsibility for all contract costs and resulting profit or loss. Fairchild Space and Def. Corp., B-243716; B-243716.2, Aug. 23, 1991, 91-2 CPD ¶ 190. However, we have upheld the use of a cost realism analysis in the solicitation of firm, fixed-price contracts for mess attendant services since performance of a price realism analysis allows the agency to ascertain whether all

offerors fully understand the services required as well as the staffing necessary to maintain the continuity of services. Industrial Maintenance Servs., Inc.; Logistical Support, Inc., B-235717; B-235717.2, Oct. 6, 1989, 89-2 CPD ¶ 324. The risk of poor performance when a contractor is forced to provide services at little or no profit or with an undercompensated work force is a legitimate concern in the evaluation of firm, fixed-price proposals. Accordingly, where a solicitation makes clear that an offeror must furnish adequate information to permit an effective realism analysis and places offerors on notice that offers may be rejected if prices are not realistic, proposals that do not establish that proposed prices are realistic may be rejected. Id.

In this case, the Navy's BAFO request explicitly alerted Southeastern to the fact that its indirect costs, as submitted, were unrealistically low; despite a specific request for an explanation of these figures, Southeastern failed to explain this portion of its proposal, and, in fact, further reduced these figures. We therefore agree with the Navy that it was unclear whether Southeastern understood the requirement; specifically, the firm's failure to provide an explanation of its indirect cost figures gave the Navy sufficient cause to question whether the firm would perform as represented. Given the obvious incentive the firm would have to reduce performance costs, we therefore find that Southeastern's proposal was properly rejected. Id.

The protest is dismissed.



Andrew T. Pogany  
Acting Assistant General Counsel